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RICHARD T. MAUGHAN
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**DECLARATION OF COMMUNITY
ASSOCIATION OF MADISON SQUARE
P.U.D. – PHASE II**

06-353-0001 thru 0023

THIS DECLARATION OF COMMUNITY ASSOCIATION is made and executed by UPDWELL Development, LLC, a Utah Limited Liability Company ("Declarant"), pursuant to the provisions of the Act defined below.

WHEREAS, Declarant is the fee owner of the Property defined below; and

WHEREAS, Declarant intends to construct upon the Property the project defined below in accordance with the Map defined below and the terms and conditions contained herein; and

WHEREAS, Declarant intends by recording this Declaration and the Map to submit the Property, and all improvements now or hereafter constructed thereon, to the provisions of the Act as a community association and to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all Units defined below and the owners thereof; and

WHEREAS, Declarant intends to join Property into the Madison Square Townhome Owners Association, Inc., and has been accepted by said Association for the governance of this Declaration;

NOW, THEREFORE, the Declarant hereby makes the Following Declaration:

I. DEFINITIONS

When used in this Declaration, including the recitals hereto, the following terms shall have the following meaning indicated. Any term used herein which is defined by the Act shall, to the extent permitted by the context hereof, have the meaning ascribed by the Act.

"Act" shall mean and refer to the Utah Community Association Act, (Sections 57-8a-101 through 57-8a-407, Utah Code, as the same has been and may be amended from time to time.

"Association" shall mean Madison Square Townhomes Owners Association, Inc., a Utah non-profit incorporated association of the Owners.

"Building" shall mean and refer to the townhome buildings constructed within the lots on the Property and containing the Units.

"Bylaws" shall mean and refer to the Bylaws of the Association. The initial Bylaws shall be in the form set forth in **Exhibit C** attached hereto.

"Common Areas" shall mean those areas defined on the Madison Square PUD – Phase II Plat as being held in common ownership of all Owners. Common Areas shall include, but not be limited to, green space, sidewalks, driveways, carports, parking spaces, and all roadways not part of a city right-of-way within the development that are reserved for the use of the Lot Owners or the Association. Common Areas shall also include portions of the Building that are to be maintained by the Association,

including the roofs, building exteriors and dividing walls. Common Areas shall be owned by the Owners and all Common Areas shall be managed, maintained, and controlled by the Association for the common use and enjoyment of the Owners as more fully described in this Declaration.

"Common Expenses" shall mean and refer to all sums which are assessed against and expended on behalf of all Owners (as defined below) and all sums which are required by the Association to perform or exercise its functions, duties, or rights under the Act, this Declaration, the management agreement for the operation of the Project, if any, and such rules and regulations as the Association may from time to time make and adopt. By way of illustration, but not in limitation, Common Expenses shall include: (i) expenses of administration, maintenance, operation, repair and replacement of those components of the Common Areas that must be maintained and/or replaced on a periodic basis together with such reserves as may be from time to time established for the same by the Association; (ii) expenses agreed upon by the Association, or the Owners, and lawfully assessed against the Owners in accordance with the Declaration; (iii) expenses declared to be Common Expenses by the Act, by this Declaration, or the Bylaws; and (iv) any valid charge against the Project as a whole.

"Declarant" shall mean and refer to the Declarant named above as well as any successor in interest of Declarant which, either by operation of law, or through a voluntary conveyance, transfer, or assignment comes to stand in the same relation to the Project as did its predecessor.

"Declaration" shall mean and refer to this instrument and all modifications, amendments and/or supplements hereto made in accordance with the Act and the provisions hereof.

"Limited Common Areas" shall mean and refer to those Common Areas and Facilities designated herein or on the Map as reserved for the use of a certain Unit or Units to the exclusion of others.

"Lot" shall mean a parcel of land identified in the MADISON SQUARE P.U.D. - PHASE II plat regarding the Property recorded in the Official Records (as defined below) concurrently with this Declaration and all modifications, amendments and/or all supplements thereto recorded in accordance with the Act and this Declaration. An individual Unit shall be located within each Lot.

"Lot Number" shall mean the number designating a Lot within the Project as shown on the Plat...

"Manager" shall mean and refer to any Person (as defined below) designated from time to time by the Association to manage, in whole or in part, the business and affairs of the Association and the Project.

"Management Committee" shall mean the committee charged by this Declaration with and having the responsibility and authority on behalf of the Association to make and enforce all of the reasonable rules and regulations covering the operation and maintenance of the Project.

"Map" shall mean the MADISON SQUARE P.U.D. - PHASE II plat regarding the Property recorded in the Official Records (as defined below) concurrently with this Declaration consisting of two (2) pages, prepared by Von R. Hill, Utah Land Surveyor, a duly registered Utah Land Surveyor having Certificate No. 166385, and all modifications, amendments and/or all supplements thereto recorded in accordance with the Act and this Declaration.

"Mortgage" shall mean and include any mortgage, deed of trust or other security instrument by which any Unit or part thereof is encumbered.

"Mortgagee" shall mean and include any mortgagee, beneficiary, or other secured party under any Mortgage.

"Official Records" shall mean the official records of the County Recorder for Davis County, Utah.

"Owner" shall mean (when so capitalized) the record holder of legal title to the fee simple interest in any Lot. If there is more than one owner of record of legal title to a Lot then notice to any one of such owners of record shall be deemed notice to all owners of record of that Lot. In the event a Lot is the subject of any executory contract of sale, the contract purchaser shall, unless the seller and the purchaser have otherwise agreed and have informed the Association in writing of such agreement, be considered the Owner for purposes of voting. Notwithstanding any applicable theory relating to a mortgage, deed of trust, or like instrument, the term Owner shall not mean or include any Mortgagee unless and until such party has acquired title pursuant to foreclosure or any arrangement or proceeding in lieu thereof.

"Percentage Interest" shall mean and refer to the undivided percentage interest of each Owner in the Common Area. The Percentage Interest which is appurtenant to a Unit shall be 1/22 of the Common Area and shall have a permanent character and shall not be altered without the unanimous written consent of all Owners expressed in a duly recorded amendment to this Declaration.

"Person" shall mean any individual or legal entity.

"Project" shall mean the Property and the Building.

"Property" shall mean that certain real property more particularly described in **Exhibit A** attached hereto, all improvements and structures located thereon, including the Buildings, all easements, rights and appurtenances belonging to such real property, and all articles of personal property intended for use in connection therewith.

"Unit" shall mean any major improvement constructed on a Lot. A Unit shall not include pipes, wires, conduits, or other utility lines running through it which are used for or which serve more than one Unit, and shall not include any dividing walls comprising a part of a Building.

"Unit Number" shall mean the number, letter or combination thereof designating a Unit within the Project.

II. SUBMISSION TO THE ACT

Declarant hereby submits the Property and the Project to the provisions of the Act, subject to the covenants conditions and restrictions herein contained, and subject to all liens for current and future taxes, assessments, and charges imposed or levied by governmental or quasi-governmental authorities; all Patent reservations and exclusions; any mineral reservations of record and rights incident thereto; all instruments of record which affect the same or any portion thereof, including, without limitation, any Mortgages; all easements and rights-of-way; any encroachments, or boundary discrepancies; an easement, which is hereby created, for each and every pipeline, cable, wire, utility line, or similar facility which traverses or partially occupies the Property at such time as construction of all Project improvements is complete, and for ingress to, egress from, maintenance of, and replacement of all such pipes, lines, cables, wires, utility lines, and similar facilities.

Reserving unto Declarant, however, such easements and rights of ingress and egress over, across, through and under the Property as may be reasonably necessary for Declarant or for any assignee or successor of Declarant (in a manner which is reasonable and not inconsistent with the provisions of this Declaration): (i) to construct and complete the Building, each of the Units and all of the other improvements described in this Declaration or in the Map, and to do all things reasonably necessary or proper in connection therewith; and (ii) to improve portions of the Property with such other or additional improvements, facilities, or landscaping designed for the use and enjoyment of all Owners as Declarant or such assignee or successor may reasonably determine to be appropriate. If, pursuant to the

foregoing reservations, the Property or any improvement thereon is traversed or partially occupied by a permanent improvement or utility line, a perpetual easement for such improvement or utility line shall exist. With the exception of such perpetual easements including the perpetual easement specified in (i) above, the reservations hereby effected shall, unless sooner terminated in accordance with their terms, expire seven (7) years after the date on which this Declaration is filed for record in Official Records.

III. IMPROVEMENTS ON LAND

3.1 Description of Improvements. The major improvements contained in the Project include the following: twenty two (22) residential lots containing three six (6) Unit buildings, one four (4) Unit building, together with common areas for access, parking and utility services. The location and configuration of said improvements are shown on the Map, which shows the overall parcel, the number of Lots which are included in the Project and the general parking areas. The Buildings are composed of the following building materials: exterior consisting of stucco and brick, roof; interior walls of wood frame lumber construction with wall finish of sheet rock according to applicable building codes.

3.2. Description and Legal Status of Lots. The Map shows each Lot Number, its location, dimensions from which its Size may be determined, the Common Areas to which it has immediate access and the Limited Common Areas, if any, reserved for each Lot. The undivided ownership interest in the Common Areas and Facilities appurtenant to a Lot may not be partitioned from the balance of the Common Areas and Facilities pursuant to an action under, Utah Code Annotated 78B 6-1201 et seq. (1953 as amended), or otherwise.

3.3. Contents of Exhibit B. **Exhibit B** to this Declaration contain the following information with respect to each Lot: (i) the Lot Number; (ii) its Size; (iii) the Percentage Interest which is assigned to and appurtenant to the Lot and (iv) the number of votes appurtenant to each Lot.

IV. NATURE AND INCIDENTS OF LOT OWNERSHIP

4.1 Estate of an Owner. Each Owner shall own fee simple title to its *Lot (s)*.

4.2 Title: Title to a Lot may be held or owned by any Person or more than one Person and in any manner in which title to real property may be held or owned in the State of Utah, including, without limitation, joint tenants or tenancy in common.

4.3 Inseparability. No part of a Lot or the legal rights comprising ownership of a Lot may be separated from any other part thereof during the existence of the Project as a community association, so that each Unit and the Percentage Interest appurtenant to such Lot shall always be conveyed, devised, encumbered, or otherwise affected only as a complete Lot. Every gift, devise, bequest, transfer, encumbrance, conveyance or other disposition of a Lot shall be presumed to be a gift, devise, bequest, transfer, encumbrance, or conveyance, respectively, of the entire Lot, together with all appurtenant rights created by law or by this Declaration.

4.4 Partition Not Permitted. The Common Area shall be owned in common by all the Owners, and no Owner may bring any action for partition thereof.

4.5 Owner's Rights to Common Areas. Subject to the limitations contained in this Declaration, any Owner shall have the non-exclusive right to use and enjoy the Common Areas and shall have the exclusive right to use and enjoy the Limited Common Areas designated herein for exclusive use by such Owner.

4.6 Owner's Rights with Respect to Interiors. Each Owner shall have the exclusive right at his *sole* cost and expense to maintain, repair, paint, repaint, tile, wax, paper, or otherwise refinish and decorate the

interior surfaces of the walls, ceilings, floors, and doors forming the boundaries of his Unit and all walls, ceilings, floors and doors within such boundaries.

4.7 Easement for Access to Units. Each Owner shall have the right to ingress and egress over on and across the Common Areas Cross Access Easements necessary for access to his Lot or Unit and to the Limited Common Areas, if any, designated for use in connection with his Lot or Unit, and such rights shall be appurtenant to and pass with the title of such lot.

4.8 Easement for Encroachments. If any part of the Common Areas encroaches or shall hereafter encroach upon any Lot, an easement for such encroachment and for the maintenance of the same shall and does hereby exist. If any part of a Lot encroaches or shall hereafter encroach upon the Common Areas, or upon any adjoining Lot, an easement for such encroachment and for the maintenance of the same shall and does hereby exist. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of the Building, by error in the Map, by settling, rising or shifting of the earth, or by change in position caused by repair or reconstruction of the Project or any part thereof.

4.9 Easement of Access for Repair, Maintenance and Emergencies. Some of the Common Areas are or may be located within, or may be conveniently accessible only through, certain Lots or Units; The Owners of other Lots or Units shall have the irrevocable right, to be exercised by the Association (or its agent), as their agent, to have access to each Lot or Unit and to all Common Areas from time to time during such reasonable hours as may be necessary for the maintenance, repair or replacement of any of the Common Areas located therein or accessible there from or for making emergency repairs therein necessary to prevent damage to the Common Areas or any other Lot or Unit. The Association shall also have such right independent of any agency relationship. Damage to the interior of any part of a Lot or Unit resulting from the maintenance, repair, emergency repair, or replacement of any of the Common Areas or as a result of emergency repairs within another Lot or Unit at the instance of the Association shall be an expense of the Association, provided that if such damage is the result of negligence of the Owner of the Lot or Unit, then such Owner shall be financially responsible for all such damage. Such damage shall be repaired and the Property shall be restored substantially to the same condition as existed prior to damage. Amounts owing by Owners pursuant hereto shall be collected by the Association by Assessment pursuant to and as defined in Article VIII below.

4.10 Owner's Right to Support. Each Owner shall have the right to horizontal and lateral support of his Unit, and such rights shall be appurtenant to and pass with the title to each Lot or Unit.

4.11 Association's Right to Use of Common Areas. The Association shall have a non-exclusive easement to make such use of the Common Areas as may be necessary or appropriate to perform the duties and the functions which it is obligated or permitted to perform pursuant to this Declaration and/or the Bylaws.

4.12 Easements Deemed Created. All conveyances of Lots hereafter made, by whatever means, shall be construed to grant and reserve such reciprocal easements as shall give effect to Sections 4.7, 4.8, 4.9, 4.10, and 4.11, above, and Section 5.2 below, even though no specific reference to such easements or to those Sections appears in any such conveyance.

V. UNITS AND LIMITED COMMON AREAS

5.1 Conveyances. Any deed, lease, mortgage, deed of trust, sales contract or other instrument conveying or encumbering a Lot shall describe the interest or estate involved substantially as follows:

Lot No. _____ contained within Madison Square P.U.D – Phase II. as the same is identified in the Record of Survey Map recorded in Davis County, State of Utah, as Entry No. _____ in Book _____ at Page _____, as

said Record of Survey Map may have heretofore been amended or supplemented, and in the Declaration of Community Association of Madison Square P.U.D. - Phase II recorded in Davis County, Utah, as Entry No. _____ in Book _____ at Page ___, as said Declaration may have heretofore been amended or supplemented.

TOGETHER WITH the undivided ownership interest in said Project's Common Areas and Facilities which is appurtenant to said Lot.

Such description shall be construed to describe the Lot, together with the Percentage Interest in the Common Areas appurtenant thereto, and to incorporate all the rights incident to ownership of such Lot and all the limitations or such ownership as described in the Declaration, including the applicable appurtenant Percentage Interest,

5.2 Maintenance of Lots or Units. Each Lot or Unit, and all utility facilities, including but not limited to all electrical, plumbing, heating, air conditioning, water, sewer lines, ducts, and other such apparatus serving solely such Lot or Unit, shall be maintained by the Owner thereof so as not to detract from the appearance of the Project and so as not to affect adversely the value or use of any other Lot or Unit or other portions of the Project. Each Owner shall keep the interior of his Unit, including without limitation, interior walls, doors, windows, ceilings, floors, and permanent fixtures and appurtenances thereto, in a clean and sanitary condition and in good state of repair. In the event that any such Lot or Unit shall develop an unclean or unsanitary condition or fall into a state of disrepair, and in the event that the Owner of such Lot or Unit shall fail to correct such condition or state of disrepair promptly following written notice from the Association, the Association, but only upon the approval of the Management Committee, shall have the right, at the expense of the Owner and without liability to the Owner for trespass or otherwise, to enter said Lot or Unit and correct or eliminate said unsanitary or unclean condition or state of disrepair, provided that the Association shall in no event have the obligation to do so

The Association shall have the irrevocable right to have access to each Lot or Unit from time to time during such reasonable hours as may be necessary to insure each Owner's compliance with the provisions of this Section.

5.3 Separate Mortgages By Owners. Each Owner shall have the right separately to mortgage or otherwise encumber his Lot. No Owner shall attempt to or shall have the right to mortgage or otherwise encumber the Common Areas or any part thereof, except the Percentage Interest appurtenant to his Lot. Any Mortgage or other encumbrance of any Lot within the Project shall be subordinate to all of the provisions of this Declaration, and in the event of foreclosure the provisions of this Declaration shall be binding upon any Owner whose title is derived through foreclosure by private power of sale, judicial foreclosure, or otherwise.

5.4 Taxation of Lots. Each Lot shall be deemed to be a parcel and shall upon conveyance thereof by Declarant be assessed separately for all taxes, assessments, and other charges of any political subdivision or of any special improvement district or of any other taxing or assessing authority. For purposes of such assessment, the valuation of the Common Areas shall be apportioned among the lots in proportion to the Percentage Interests appurtenant to all such Lots. All such taxes, assessments, and other charges of each respective Lot shall be separately levied against the Owner thereof. No forfeiture or sale of any Lot for delinquent taxes, assessments, or other governmental charges shall divest or in any way affect the title to any other Lot.

5.5 Limited Common Areas. The Limited Common Areas of the Project and the Lots to which they are appurtenant are as follows: one carport containing two parking spaces, as assigned to each Lot, if and as more particularly shown on the Map. The Owner of a Lot shall keep the Limited Common Areas

designated for use in connection with his Unit in a good, clean, sanitary and attractive condition. In the event that an Owner fails to keep the Limited Common Areas appurtenant to his Lot in a good, clean, sanitary and attractive condition, the Association may do so, at the expense of the Owner, in accordance with the procedures set forth in Section 5.2 above.

5.6 Merchant Liens. No labor performed or materials furnished or used in connection with any Lot or Unit shall create any right to file a notice of mechanic's lien against any other Lot or Unit or any interest in the Common Areas other than the Percentage Interest appurtenant to the Lot or Unit where the work was performed.

VI. THE ASSOCIATION

6.1 Membership. The Association is formed as a Utah nonprofit corporation. Every Owner shall be a member of the Association. One membership shall exist for each Lot, shall be inseparably appurtenant thereto and shall automatically transfer therewith but only therewith. If title to any Lot is held by more than one Person, the membership related to such Lot shall be shared by all such Persons in the same proportionate interests and by the same type of tenancy in which they hold title to such Lot. No Person other than an Owner shall be a member ("Member") in the Association.

6.2 Management Committee. The Management Committee shall consist of the Association's Board of Trustees, which shall be determined as set forth in the Bylaws, provided that until the later of (i) the expiration of three years from the date that this Declaration (exclusive of amendments or supplements) is recorded in the Official Records, or such shorter period as the Declarant may determine in its sole discretion, or (ii) such time as Lots to which at least three-fourths (3/4) of the aggregate Percentage Interest are appurtenant have been conveyed by the Declarant to Lot purchasers, the Management Committee may consist of a single individual elected by the Declarant. Designees of Declarant, Owners and spouses of Owners who permanently occupy their Lots, Mortgagees (or designees of Mortgagees), partners of partnerships, directors or officers of corporations, and members of limited liability companies owning Lots shall be eligible for membership on the Management Committee.

The Management Committee shall have power to:

- (a) adopt and publish rules and regulations governing the use of the Common Areas and Facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use of the recreational facilities, if any, of a member during any period in which such Member shall be in default in the payment of any assessment levied by the Association and/or, after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the Membership by other provisions of this Declaration or Bylaws or the Association's Articles of incorporation (the "Articles");
- (d) enter into contracts of any kind pertaining to the affairs of the Association on behalf thereof; and
- (e) employ a manager, an independent contractor, and/or such other employees as they deem necessary, and to prescribe their duties.

It shall be the duty of the Management Committee to:

(f) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing in accordance with the Bylaws;

(g) supervise all officers, agents and employees of this Association, and see that their duties are properly performed;

(h) create and adopt a budget for the Association;

(i) fix the amount of, collect and enforce the Assessments;

(j) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any Assessment has been paid (a reasonable charge may be made by the Management Committee for the issuance of these certificates), and if a certificate states that an Assessment has been paid, such certificate shall be conclusive evidence of such payment;

(k) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(l) cause the Common Areas, Limited Common Areas, Public Utility Easements and Drainage Easements to be maintained (including landscaping);

(m) maintain current copies of this Declaration, the Articles, the Bylaws, and any rules and regulations, and make the same available for inspection during normal business hours of the Association by Owners and first Mortgagees (and holders, guarantors, or insurers thereof); and

(n) maintain the books and financial records of the Association, and cause the financial statements of the Association for the preceding fiscal year to be audited and made available to the holder, insurer or guarantor of any first mortgage secured by a Lot, upon request of the same.

6.3 Votes and Voting. Votes and voting shall be governed by the Bylaws.

VII. RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

7.1 Common Areas. The Association, subject to the rights of the Owners set forth in Article IV hereof, shall be responsible for the exclusive management and control of the Common Areas and all improvements thereon (including furnishings and equipment related thereto) and shall keep the same in good, clean, attractive and sanitary condition, order and repair, provided that each Owner shall keep the Limited Common Areas, if any, designated for use in connection with his Unit, in a good, clean, sanitary and attractive condition. The Association shall be responsible for the maintenance and repair of all Common Areas, including Limited Common Areas, Public Utility Easements and Drainage Easements. The cost of such management, operation, maintenance and repair by the Association of the Common Areas shall be borne as provided in Article VIII.

7.2 Miscellaneous Services. The Association may obtain and pay for the services of any person or entity to manage its affairs, or any part thereof, to the extent it deems advisable. As well as such other personnel of the Association as it shall be determined to be necessary or desirable for the proper operation of the Project, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or which it contracts. The Association may obtain on behalf of the Association and pay for legal and accounting services necessary or desirable in connection with the operation of the Project or the enforcement of this Declaration. The Association may arrange with others to furnish trash collection, snow removal, ground maintenance, landscape maintenance, and other common services to each Lot. The cost of such services shall be borne as provided in Article

VIII. The Declarant may enter into one or more professional management contracts on behalf of the Association pursuant to the provisions hereof; provided the Association shall have the right to terminate any such contract, without cause, at any time after transfer of control of the Association to Owners.

7.3 Personal Property for Common Use. The Association may acquire and hold for the use and benefit of the Association and all of the Owners, tangible and intangible personal property and may dispose of the same by sale or otherwise, and the beneficial interest in any such property shall be deemed to be owned by each Owner in the same proportion as his Percentage Interest. Such interest shall not be transferable except with the transfer of a Lot. A transfer of a Unit shall transfer to the transferee ownership of the transferor's beneficial interest in such property without any reference thereto. Each owner may use such property in accordance with the purpose for which it is intended, subject to rules and regulations adopted by the Association as provided herein, without hindering or encroaching upon the lawful rights of other Owners. The transfer of title to a Lot under foreclosure shall entitle the purchaser to the interest in such personal property associated with the foreclosed Lot.

7.4 Rules and Regulations. The Association may make reasonable rules and regulations governing the use of the Lots or Units and of the Common Areas, which rules and regulations shall be consistent with the rights and duties established in this Declaration. Such rules and regulations may include, without limitation: (i) a requirement that shades or other interior window coverings, including the interior surfaces of any windows or door glass used in the Units, shall present a uniform appearance of type and color from the exterior of the Building and that the Association shall have the right to inspect and re-inspect and approve all proposed shades or other interior window coverings to insure compliance with such rules before installation thereof in, and (ii) that Limited Common Areas conform to standardized regulations regarding appearance, maintenance and modifications thereof.

7.5 Granting Easements. The Association may, without a vote or consent of the Owners or of any other person, grant or create, on behalf of the Association, on such terms as it deems advisable, utility and similar easements and rights-of-way over, under, across, and through the Common Areas.

7.6 Implied Rights and Additional Powers. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege. The Association shall also have the following powers:

(a) fix, levy, collect and enforce payment by any lawful means, all charges and Assessments pursuant to the terms of this Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the Property of the Association;

(b) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;

(c) borrow money, and with the assent of Members holding at least 75% of the Percentage Interests, mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(d) dedicate, sell or transfer all or any part of the Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members; provided, however, that the Association may grant such easements as shall be necessary for the development and maintenance of the Property without the consent of the Members. Except with respect to easements, no such dedication, sale or transfer shall be effective unless the same has been

approved by Members holding at least 75% of the Percentage Interests;

(e) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and Common Areas, provided that any such merger, consolidation or annexation shall have the assent of Members holding at least 75% of the Percentage Interests.

VIII. ASSESSMENTS

8.1 Agreement to Pay Assessment. Declarant, for each Lot owned by it within the Project, and for and as the owner of the Project and every part thereof, hereby covenants, and each Owner of any Lot by the acceptance of a deed therefore, whether or not it be so expressed in the deed, shall be deemed to covenant and agree with each other and with the Association, to pay to the Association annual assessments made by the Association for the purposes provided in this Declaration, and special assessments for capital improvements and other matters as provided in this Declaration ("Assessments")

8.2 Amount of Total Annual Assessments. The total annual Assessments against all Lots shall be based upon advance estimates of cash requirements by the Association to provide for the payment of all estimated expenses growing out of or connected with the maintenance and operation of the Common Areas, which estimates may include, among other things: expenses of management, grounds maintenance, taxes and special governmental assessments, until the Lots are separately assessed as provided herein; premiums for all insurance which the Association is required or permitted to maintain pursuant hereto; common lighting and heating expenses; water charges; trash collection charges; snow removal expenses; sewer service charges; repairs and maintenance expenses; wages for Association employees; legal and accounting fees; any deficit remaining from a previous period; the creation of a reasonable contingency reserve, surplus and/or sinking fund; and any other expenses and liabilities which may be incurred by the Association for the benefit of the Owners under or by reason of this Declaration. Notwithstanding the foregoing, the total amount of annual Assessments shall not exceed the previous year's annual Assessments (determined for an entire 12 month period) by more than 25% without the affirmative vote of Owners holding 67% of the Percentage Interests and the affirmative vote of at least 51% of first Mortgagee interests. The first annual Assessment for each Lot for calendar year 2012, prorated and commencing upon the closing of each Lot by a subsequent owner to the Declarant shall be \$1,140.00 per year or \$95 per month.

8.3 Apportionment of Annual Assessments. Expenses attributable to the Common Areas and to the Project as a whole shall be apportioned among all Owners in proportion to their respective Percentage Interests.

8.4 Notice of Annual Assessments and Time for Payment Thereof Annual Assessments shall be made on a calendar year basis. The Association shall give written notice to each Owner as to the amount of the annual Assessment with respect to his Lot not less than 30 days nor more than 60 days prior to the beginning of the next calendar year. Such Assessment shall be due and payable in equal monthly installments on the first day of each and every month of each year; provided that the first annual Assessment shall be for the balance of the calendar year remaining after the date fixed by the Association as the date of commencement of the Project but not later than 60 days after the conveyance of the first Lot. Assessments shall be due and payable within 30 days after written notice of the amount thereof shall have been given to the Owners. Each monthly Assessment shall bear interest at the rate of 18% per annum from the date it becomes due and payable if not paid within ten days after it first becomes due. In addition to the foregoing, the payment of any delinquent Assessment shall be subject to the payment of a late fee as established by the Management Committee. Failure of the Association to give timely notice of any Assessment as provided herein shall not affect the liability of any Owner for such Assessment, but the date when payment shall become due in such case shall be deferred to a date

ten days after such notice shall have been given.

8.5 Special Assessments for Capital Improvements. In addition to the annual Assessments authorized by this Article, the Association may levy in any Assessment year a special Assessment, payable over such period of time as the Association may determine, for the purpose of defraying, in whole or in part the cost of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expense incurred or to be incurred as provided in this Declaration. This Section shall not be construed as an independent source of authority for the Association to incur expenses, but shall be construed to prescribe the manner of assessing for expenses authorized by other Sections hereof which shall make specific reference to this Article. Any amounts assessed pursuant hereto shall be assessed to Owners in proportion to their respective Percentage Interests. Notice in writing of the amount of such special Assessments and the time for payment thereof shall be given promptly to the Owners, and no payment shall be due less than 30 days after such notice shall have been given. A special Assessment shall bear interest at the rate of 18% per annum from the date it becomes due and payable if not paid within 30 days after such date.

8.6 Lien for Assessments.

(a) All sums assessed to any Lot pursuant to this Article, together with interest thereon, as provided herein, shall be secured by a lien against such Lot in favor of the Association. Such lien shall be superior to all other liens and encumbrances against such Lot, except only: (i) valid tax and special assessment liens in favor of any governmental assessing authority; and (ii) encumbrances recorded in the Official Records prior to the date a notice (as provided herein) is recorded which by law would be a lien prior to subsequently recorded encumbrances, including all unpaid obligatory advances to be made pursuant to such encumbrances and all amounts advanced pursuant to such encumbrances and secured by the lien thereof in accordance with the terms of such instrument. All other Mortgagees and lienors shall be deemed to consent that such liens shall be inferior to future liens for Assessments, as provided herein, whether or not such consent be specifically set forth in the instruments creating such liens.

(b) To evidence a lien for sums assessed pursuant to this Article, the Association shall prepare a written notice of lien setting forth the amount of the Assessment, the date due, the amount remaining unpaid, the name of the Owner and a description of the Lot. Such a notice shall be signed by an officer of the Association and shall be recorded in the Official Records. No notice of lien shall be recorded until there is a delinquency in payment of the Assessment. Such lien may be enforced by power of sale or judicial foreclosure by the Association in the same manner in which deeds of trust or mortgages on real property are foreclosed in the State of Utah. In any such sale or foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding, the costs and expenses of filing the notice of lien and all reasonable attorneys' fees. All such costs, expenses and fees shall be secured by the lien being foreclosed. The Owner shall also be required to pay to the Association any Assessments against the Lot which shall become due during the period of foreclosure. The Association shall have the right and power to bid an amount equal to its then existing lien at the foreclosure sale or other legal sale and to acquire, hold, convey, lease, rent, encumber, use and otherwise deal with the Lot as the Owner thereof.

(c) A release of notice of lien shall be executed by an officer of the Association and recorded in the Official Records upon payment of all sums secured by such lien which has been made the subject of a recorded notice of lien.

(d) Any Mortgagee or encumbrancer holding a lien on a Lot may pay, but shall not be required to pay, any amounts secured by the lien created by this Section, and upon such payment such Mortgagee or encumbrancer shall be subrogated to all rights of the Association with respect to such lien, including priority.

(e) A lien for common area Assessments will not be affected by the transfer or conveyance of a

Lot, unless such transfer is pursuant to a foreclosure of a Mortgage with priority. In such event, the prior Owner shall nevertheless remain liable for the delinquent Assessments.

8.7 Personal Obligation of Owner. In addition to running with the Lot, the amount of any annual or special Assessment against any Lot shall be the personal obligation of the Owner thereof to the Association. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association, at its option, without foreclosing or waiving the lien securing the same. No Owner may avoid or diminish any personal obligation by waiver of the use and enjoyment of any of the Common Areas or by abandonment of his Lot.

8.8 Statement of Account. Upon payment of a reasonable fee not to exceed such amount as the Act may allow, and upon written request of any Owner or any Mortgagee, prospective Mortgagee or prospective purchaser of a Lot, the Association shall issue a written statement setting forth the amount of the unpaid Assessments, if any, with respect to a Lot, the amount of the current yearly Assessment and the date that such Assessment becomes or became due, and the amount of any credit for advance payments or prepaid items, including, but not limited to, such Owner's share of prepaid insurance premiums. Such statement shall be conclusive upon the Association in favor of persons who rely thereon in good faith. Unless such request for a statement of account shall be complied with within 10 days, or such longer period allowed by the Act, all unpaid Assessments which became due prior to the date of making such request shall be subordinate to the lien of a Mortgagee which acquires its interest subsequent to requesting such statement, unless such Mortgagee acquires its interest with actual knowledge of the amount of such Assessments. Where a prospective purchaser makes such request, both the lien for such unpaid Assessments and the personal obligations of the purchaser shall be released automatically if the statement is not furnished within the 10 day period provided herein and thereafter an additional written request is made by such purchaser and is not complied with by the Association within an additional 10 days, and the purchaser subsequently acquires the Lot without actual knowledge of the amount of such Assessments.

8.9 Personal Liability of Purchaser for Assessments. Subject to the provisions of Section 8.8, a purchaser of a Lot shall be jointly and severally liable with the seller for all unpaid Assessments against the Lot up to the time of the grant or conveyance, without prejudice to the purchaser's right to recover from the seller the amount paid by the purchaser for such Assessments.

8.10 Reserves for Replacements. As set forth in Section 14.4(b) of this Declaration, the Association shall be required to establish and maintain an adequate reserve fund for the cost of reasonably predictable and necessary major repairs, maintenance and replacement of Common Areas, including Limited Common Areas. Such reserve shall be funded out of Common Area Assessments, upon closing of each Lot by a subsequent owner to the Declarant and shall be included as a part of the closing costs of the purchase transaction. Upon any subsequent sale of any Lot, the seller shall be entitled to withdraw his contribution to the reserve and the Lot's then existing portion of the reserve shall be funded by the buyer as part of the closing costs of the transaction. Any amount paid to this reserve shall not be considered as an advance payment of regular Assessments. This reserve fund shall be transferred to a segregated fund in the name of the Association upon transfer of control of the Association to the Owners. The Declarant shall be prohibited from using the reserve funds to defray any of its expenses, reserve contribution, or construction costs, or make up any budget deficits while it is in control of the Association. Upon transfer, the reserve account provided herein shall be maintained separate from the general operating and Assessment account of the Association, but in the Association's name.

IX. INSURANCE

9.1 Provided By Association. The Association shall secure and at all times maintain for the benefit of the Association and the Owners the following insurance coverage:

- (a) **Hazard Coverage.** A multi-peril policy or policies of fire and other hazard insurance covering the entire Project (both Lots/Units and Common Areas), with extended coverage and all other coverage in the kinds and amounts commonly required by private institutional mortgage investors for projects similar in construction, location and use, including the standard "all risk" endorsement, on a replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of the Project. Each such policy shall contain the standard mortgagee clause which must be endorsed to provide that any proceeds shall be paid to the Association for the use and benefit of Mortgagees as their interests may appear. The insured shall be the Association as a trustee for the Owners, or their authorized representatives. In addition, the Association shall obtain, if available, an Inflation Guard Endorsement, and a Building Ordinance or Law Endorsement.
- (b) **Public Liability.** A comprehensive policy of public liability insurance covering all of the Common Areas insuring the Association, the Management Committee and its members, the Manager, and the Owners against any liability incident to the ownership, use, or operation of the Common Areas and public ways of the Project or of any Lot or Unit which may arise among themselves, to the public, or to any invitees, or tenants of the Project, or of the Owners. Limits of liability under such insurance shall be not less than \$1,000,000.00 covering all claims for bodily injury and/or property damage arising out of a single occurrence, including protection against water damage liability, liability for non-owned and hired automobiles and liability for property of others. Such insurance policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association, its committee members, its Officers or the Owners. The scope of coverage must include all other coverage in the kinds and amounts required by private institutional mortgage investors for similar projects in location, construction and use.
- (c) **Workmen's Compensation Insurance.** The Association shall obtain and maintain for the benefit of and on behalf of the Association, workmen's compensation and employer's liability insurance and all other similar insurance with respect to employees of the Association in the amounts and in the forms now or hereafter required by law.
- (d) **Fidelity Insurance or Bond.** The Association shall purchase for the benefit of and on behalf of the Association, in amounts not less than three months Assessments for all Units, and in such forms as it deems appropriate, fidelity insurance or a bond to cover against dishonesty of Committee members, Officers, employees and others who hold or administer funds, destruction or disappearance of money or securities, and forgery. The fidelity policy or bond shall name the as the insured.

9.2 Additional Provisions. The following additional provisions shall apply with respect to insurance.

- (a) In addition to the insurance and bond coverage described above, the Association shall secure and at all times maintain for the benefit of and on behalf of the Association, insurance against such risks as are or hereafter may be customarily insured against in connection with all P.U.D. projects similar to the Project in construction, nature and use.
- (b) All insurance policies shall be written by a company holding a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports, an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports -International Edition, an "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings, a "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's Insurer Solvency

Review, or a "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Service. Each insurer must be specifically licensed to transact business within the State of Utah. Policies are unacceptable where (i) under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against the Association, any Owners or a Mortgagee; (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policy holders, or members; or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent a Mortgagee or the Association from collecting insurance proceeds.

- (c) The Association, on behalf of all Owners, individually and collectively, shall have the authority to adjust losses with respect to insurance secured and maintained by the Association, to pursue claims, negotiate and settle claims, and to enter into agreements relative to the same, and each Owner shall be deemed to have appointed the Association as an attorney-in-fact for such purpose.
- (d) Insurance secured and maintained by the Association shall not be brought into contribution with insurance held by the individual Owners or their Mortgagees.
- (e) Each policy of insurance obtained by the Association for the benefit of the Association shall provide: a standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the Project is located; a waiver (if available) of the insurer's subrogation rights with respect to the Association, the Officers of the Association, the Manager, the Management Committee and its members, the Owners, and their respective servants, agents and guests; that it cannot be canceled, suspended or invalidated due to the conduct of any member, officer, or employee of the Association or of the Manager without a prior written demand that the defect be cured; that any "no other insurance" clause therein shall not apply with respect to insurance held individually by the Owners; and that a mortgagee clause endorsement which must provide that the insurance carrier shall notify in writing any and all insureds, including the servicers on behalf of Mortgagees thereof at least 30 days in advance of the effective date of any substantial modification or cancellation of the policy.
- (f) Any Owner will obtain additional insurance (H06 policy) at his own expense, so long as such additional insurance does not have the effect of decreasing the amount which may be realized under any policy maintained by the Association. Any Owner who individually obtains insurance covering any portion of the Project shall supply the Management Committee with a copy of his policy within 30 days after he acquires such insurance. Additional Insurance would be up to the deductible limits for the project Master Policy.
- (g) Insurance coverage required by this Article must not be prejudiced by (i) any act or neglect of the Owners, or (ii) any failure of the Association to comply with any warranty or condition regarding any portion of the Project over which the Association has no control.
- (h) All policies of property insurance must provide that notwithstanding any provision affording the insurer the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable without the prior written approval of the Association (or any insurance trustee) or when in conflict with the provisions of any insurance trust agreement to which the insurance may be a party, or any requirement of law.
- (i) The foregoing provisions of this Article shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage. In addition to any insurance coverage required hereunder, the Association may obtain such other insurance or

additional insurance in such amounts and in such forms as the Association may deem proper from time to time.

- (j) The Association shall have no responsibility regarding insurance on the personal property of Owners. Each Owner shall acquire for his own protection, such insurance on his contents as he deems appropriate.
- (k) The maximum deductible amount for policies covering Lots or Units and Common Areas shall be the lesser of \$10,000 or 1% of the policy face amount.

X. DAMAGE OR DESTRUCTION

10.1 Procedures. In the event of damage of or destruction of part or all of the improvements in the Project, the following procedures shall apply:

- (a) If proceeds of the insurance maintained by the Association are alone sufficient to repair or reconstruct the damage or destroyed improvement, such repair or reconstruction shall be carried out.
- (b) If less than 75% of the Project's improvements are destroyed or substantially damaged, and if proceeds of the insurance maintained by the Association are not alone sufficient to accomplish repair or reconstruction, restoration shall be carried out and all Owners shall be assessed for any deficiency on the basis of their respective Percentage Interests.
- (c) If 75% or more of the Project's improvements are destroyed or substantially damaged and if proceeds of the insurance maintained by the Association are not alone sufficient to accomplish restoration, then unless the Owners within 100 days after the destruction or damage by a vote of at least 67% elect not to repair or reconstruct the affected improvements, restoration shall be accomplished in the manner directed under subsection (b) above.
- (d) If 75% or more of the Project's improvements are destroyed or substantially damaged, if proceeds of the insurance maintained by the Association are insufficient to accomplish restoration, and if the Owners, within 100 days after the destruction by a vote of at least 67% elect not to repair or reconstruct the affected improvements, the Association shall promptly record in the Official Records a notice setting forth such facts. Upon the recording of such notice the provisions of the Act shall apply and shall govern the rights of all parties having an interest in the Project or any of the Units.

10.2 Determination of Extent of Damage or Destruction. Any determination as to reconstruction or repair which is required to be carried out by this Article regarding the extent of damage to or destruction or Project improvements shall be made by three MAI appraisers selected by the Association. The decision of any two such appraisers shall be conclusive.

XI. OBSOLESCENCE

11.1 Adoption of a Plan. The Owners representing an aggregate voting interest of 80% or more of the Project may agree that the Project is obsolete and adopt a written plan for the renewal and reconstruction, provided that such plan receives the unanimous approval of all first Mortgagees of record at the time of the adoption of such plan. Written notice of adoption of such a plan shall be given to all Owners. Such plan shall be recorded in the Official Records.

11.2 Payment for Renewal and Reconstruction. The expenses of renewal or reconstruction shall be

payable by all of the Owners as Assessments against their respective Lots. These Assessments shall be levied in advance pursuant to Article VIII hereof and shall be allocated and collected as provided in that Article. Further levies may be made in like manner if the amounts collected prove insufficient to complete the renewal and reconstruction.

11.3 Dissents from the Plan. An Owner not a party to such a plan for renewal or reconstruction may give written notice of dissent to the Association within 15 days after the recordation of such plan. The Association shall then give written notice of such dissent to all Owners within five days after the expiration of such 15 day period. Within 15 days after receipt of such notice from the Association, the Owners representing an aggregate voting interest of more than 20% of the Project may cancel the plan by written instrument recorded in the Official Records. If the plan is not canceled then the Lots of each dissenter shall be purchased according to the following procedures. If the Owner and the Association can agree on the fair market value of such Owner's Lot, then such sale and conveyance shall be completed within 60 days thereafter. If the parties are unable to agree on the fair market value of such Owner's Lot, the date when either party notifies the other that he or it is unable to agree with the other shall be the "commencement date" from which all following time periods set forth in this Section shall be measured. Within 10 days following the commencement date, each party shall nominate a qualified appraiser by written nomination and shall give notice to the other of such nomination. In the event a party fails to nominate an appraiser, the appraiser nominated shall, within five days after notice of the other party's failure to appoint an appraiser, appoint and associate with him another qualified appraiser. If the two appraisers designated by the parties, or selected pursuant hereto in the event of default of one party, are unable to agree, they shall appoint another qualified appraiser to be umpire between them, if they can agree on such person. If they are unable to agree upon such umpire, then each appraiser previously appointed shall nominate two qualified appraisers, and from the names of the four persons so nominated one shall be drawn by lot by a judge of any court of record in Utah, and the person whose name is so drawn shall be the umpire. The nominations from among which the name of the umpire is to be drawn by lot shall be submitted within 10 days of the failure of the two appraisers to agree, which, in any event, shall not be later than 20 days, following the appointment of the second appraiser. The decision of the appraisers as to the fair market value, or in the case of their disagreement, the decision of such umpire shall be final and binding. The expenses and fees of such appraisers shall be borne equally by the Association and the Owner. The sale shall be consummated within 60 days after decision of the appraisers, and the Association as attorney-in-fact shall disburse the proceeds first to Mortgagees and encumbrancers (including the Association) in the order of the priority of their liens and the balance remaining to the Owner. The obligation of the Association to make such purchase shall be conditioned on the fair market value of the Unit exceeding the obligations secured by Mortgages and liens on such Lot, and upon the marketability of the title of the Owner. An Owner shall furnish the Association an appropriate commitment for title insurance evidencing marketability of his title not less than 15 days prior to the date set forth completion of the sale. The Association, pursuant to Article VIII hereof, may levy a special Assessment sufficient to provide funds to pay for other Units of the dissenters, provided that such Assessments shall not apply to any of the Owners who are among the dissenters and shall not be liens against the Lots of such Owners.

11.4 Sale of Obsolete Lots. The Owners representing an aggregate ownership interest of 80% or more of the Lots may agree that the Lots are obsolete and that the Project should be sold. Such an agreement must have the unanimous approval of every first Mortgagee of record at the time such agreement is made. In such instance the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association the Project shall be sold by the Association as attorney-in-fact for all of the Owners free and clear of the provisions contained in this Declaration, the Map and the Bylaws. The sale proceeds shall be apportioned among the Owners in proportion to the respective undivided interests in the Common Areas, and such apportioned proceeds shall be paid into separate accounts, each such account representing one Lot. Each such account shall remain in the name of the Association, and shall be further identified by the Lot designation and the name of the Owner. From each separate account the Association, as attorney-in-fact, shall use and disburse the total amount

of such accounts without contribution from one account to the other, first to Mortgagees and encumbrancers (including the Association) in the order of the priority of their liens and the balance remaining to each respective Owners.

11.5 Distribution of Excess. In the event amounts collected pursuant to Section 11.2 are in excess of the amounts required for renewal and reconstruction, the excess shall be returned to the Owners by the Association by a distribution to each Owner in an amount proportionate to the respective amount collected from each such Owner.

XII. CONDEMNATION

12.1 Consequences of Condemnation. If at any time or times during the continuance of the P.U.D. ownership pursuant to this Declaration, all or any part of the Project shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the following provisions shall apply.

12.2 Proceeds. All compensation, damages or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award", shall be payable to the Association. The Association, on behalf of all Owners, individually and collectively, shall have the authority to represent the Association and all Owners and in such regard shall represent their interests in proceedings; negotiations, settlement and agreements, and each Owner shall be deemed to have appointed the Association as attorney-in-fact for such purpose.

12.3 Complete Taking. In the event that the entire Project is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the P.U.D. ownership pursuant thereto shall terminate. The Condemnation Award shall be apportioned among the Owners in proportion to the respective Percentage Interests, provided that if a standard different from the value of the Project as a whole is employed to measure the Condemnation Award in the negotiations, judicial decree, or otherwise, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable. On such basis, the Association shall as soon as practicable determine the share of the Condemnation Award to which each Owner is entitled, and such shares shall be paid into separate accounts and disbursed as soon as practicable in the manner provided in Section 12.4 hereof.

12.4 Partial Taking. In the event that less than the entire Project is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the P.U.D. ownership hereunder shall not terminate. Each Owner shall be entitled to a share of the Condemnation Award to be determined in the following manner: (a) as soon as practicable the Association shall, reasonably and in good faith, allocate the Condemnation Award between compensation, damages, or other proceeds, and shall apportion the amounts so allocated to taking of or injury to the Common Areas among Owners in proportion to their respective Percentage Interests, (b) the total amount allocated to severance damages shall be apportioned to those Lots which were not taken or condemned, (c) the respective amounts allocated to the taking of or injury to a particular Lot and/or improvements an Owner has made within his Lot shall be apportioned to the particular Lot involved, and (d) the total amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Association determines to be equitable in the circumstances. If an allocation of the Condemnation Award is already established in negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award the Association shall employ such allocation to the extent it is relevant and applicable. Distribution of apportioned proceeds shall be made by checks payable jointly to the respective Owners and their respective Mortgagees and encumbrancers.

12.5 Reorganization. In the event a partial taking results in the taking of a complete Lot, the Owner thereof automatically shall cease to be a member of the Association. Thereafter the Association shall reallocate the ownership, voting rights, and Assessment ratio determined in accordance with this

Declaration according to the same principles employed in this Declaration at the creation of the community association and as required by the Act and shall submit such reallocation to the Owners of remaining Lots for amendment of this Declaration as provided herein.

12.6 Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article X, above.

XIII. USE OF LOTS AND COMMON AREAS

13.1 Lot Use Restrictions. All Lots within the Project shall be used exclusively for residential single family housing (including but not limited to long or short term leases or month to month tenancy, after an initial lease term, for residential purposes) and for no other purposes. Any lease or rental agreement for a Lot must be in writing and subject to the terms of the Declaration, Bylaws, rules, and regulations, and other documentation of the Association.

13.2 Use of Common Areas. There shall be no obstruction of the Common Areas by the Owners or their tenants, guests, or invitees without the prior consent of the Association. The Association may by rules and regulations prohibit or limit the use of the Common Areas as may be reasonably necessary for the purpose of protecting the interests of all the Owners or protecting the Lots or the Common Areas. Nothing shall be kept or stored on any part of the Common Areas without the prior written consent of the Association, except as specifically provided herein. Nothing shall be altered on, constructed in, or removed from, the Common Areas except upon the prior written consent of the Association.

13.3 Prohibition of Damage and Certain Activities. Nothing shall be done or kept in any Lot or in the Common Areas or any part thereof which would result in the cancellation of the insurance on the Project or any part thereof or an increase of the rate of the insurance on the Project or any part thereof, over what the Association, but for such activity, would pay, without the prior written consent of the Association. Nothing shall be done or kept in any Lot or in the Common Areas or any part thereof which would be a violation of any statute, rule, ordinance, regulation, permit or other validly imposed requirement of any governmental body. No damage to, or waste of, the Common Areas or any part thereof shall be committed by any Owner or any invitee of any Owner, and each Owner shall indemnify and hold the Association and other Owners harmless against all loss resulting from such damage or waste caused by him or his invitees, provided that any invitee of the Declarant shall not be under any circumstances deemed to be an invitee of any other Owner. No noxious, destructive or offensive activity shall be carried on in any Lot or in the Common Areas or any part thereof, nor shall anything be done therein which may be or may become an annoyance or nuisance to any other owner or to any person at any time lawfully occupying a Lot in the Project.

13.4 Rules and Regulations. No Owner or occupant shall violate the rules and regulations for the use of the Lots and/or of the Common Areas as adopted from time to time by the Association.

13.5 Structural Alterations. No structural alterations to any Lot shall be made, no other alterations modifying the external appearance of any Lot and no plumbing, electrical or similar work within the Common Areas (including but not limited to Limited Common Areas) shall be done or caused to be done by any Owner without the prior written consent of the Association.

13.6 Restriction on Signs and Attachments. No signs, flags, satellite dishes, windsocks, wind chimes, hanging plants, bird feeders, advertising devices, or other exterior attachments or attachments visible from outside of a Lot (collectively, "Attachments") shall be erected, displayed or maintained on any part of the Project without the prior written approval of the Association, except (i) as may be necessary temporarily to caution or warn of danger or to provide directions as required by law, and (ii) such signs as Declarant may erect or maintain incident to sale or lease of Lots. If the Association

consents to the erection of any Attachment, the same shall be removed promptly at the request of the Association.

13.7 Animals. No animals of any kind shall be raised, bred, or kept in or on the Property for any purpose, except an Owner or occupant may have one appropriately licensed cat or dog ("Pet") per Lot, provided: (a) they abide by the rules and regulations adopted by the Committee, (b) **the Pet does not weigh more than 30 pounds**, and (c) the Pet does not have a known propensity for violence. No animal enclosures shall be erected, placed, or permitted to remain on any portion of the Common Areas, nor shall any animal be kept tied to any structure outside the Unit. The keeping of Pets and use of the Common Areas shall be subject to such rules and regulations as may be issued by the Management Committee from time to time. Pets shall be on a leash at all times when outside a Unit. No Pet shall be permitted to defecate or urinate on any portion of the Common Areas, and the Owner of any Pet which does so shall immediately remove and clean up any feces or urine left upon the Common Areas by his/her Pet. If an Owner or occupant fails to abide by the rules and regulations and/or covenants applicable to Pets, the committee may, in addition to all other actions permitted hereunder, bar such Pet from the Common Areas. The Management Committee may regulate the use of the Common Areas through a user fee, which may be a general fee for all similarly-situated persons or a specific fine or fee imposed for failure of an Owner or occupant to abide by the rules, regulations, and/or covenants applicable to Pets. In addition, any Pet which endangers the health of any Owner or occupant of any Lot or which creates a nuisance or an unreasonable disturbance or is not a common household Pet, as may be determined in the sole discretion of the Committee, must be permanently removed from the Property upon seven days written notice by the Management Committee.

13.8 Recreational Vehicles and Parking. No recreational vehicle (boat, camper, trailer, motor home, or similar item) shall be parked on any portion of the Common Areas except in common areas designated for loading and unloading only, nor shall the same be left in such area longer than 24 hours. All such parking shall be subject to rules and regulations adopted by the Association. Notwithstanding any other provisions hereof, Declarant, until all Lots have been sold, and thereafter the Association, shall have the right to assign, lease and/or sell parking stalls to individual Lot Owners on such terms as it may desire, as long as a number of unassigned, un-rented and unsold parking stalls remains available equal to the number of Lots for which a parking stall has not be assigned, rented or sold. All parking stalls are shown on the Map as "Common Area" or "Limited Common Area," and whether or not assigned, sold or rented, the Association shall be responsible for the maintenance and repair thereof, and the cost of such management, operation, maintenance and repair by the Association shall be borne as provided in Article VIII.

13.9 No Overloading. No Owner shall bring anything into his Unit or permit anything to be done in his Unit that will cause damage to the Buildings. No Owner shall permit the use or operation in his Unit of any equipment or other device that will in any manner injure the Buildings or any portion thereof.

13.10 Exemption of Declarant. The provisions of this Article shall not apply to any improvement or structure constructed on the Property by Declarant prior to the time that Lots and appurtenant Percentage Interests are conveyed by Declarant to purchasers; and the Declarant shall have the right to use any Lot owned by it, and any part of the Common Areas reasonably necessary or appropriate, in furtherance of any construction, marketing, sales, management, promotional, or other activities designed to accomplish or facilitate improvement of the Common Areas or improvement and sale of Lots owned by Declarant.

XIV. MORTGAGEE PROTECTION

14.1 Notice to First Mortgagee. From and after the time a first Mortgagee (or an insurer or guarantor thereof) makes written request to the Association there for, stating both its name and address and the

Lot number or address of the Lot on which it has (or insures or guarantees) a Mortgage, the Association shall notify such first Mortgagee (or such insurer or guarantor thereof) in writing of the following: (i) in the event that the Owner of the Lot neglects for a period of 60 or more days to cure any failure on his part to perform any of this obligations under this Declaration; (ii) any condemnation or casualty loss that affects either a material portion of the Project or the Lot securing its Mortgage; (iii) a lapse, cancellation, or material modification of any insurance policy maintained by the Association; (iv) any proposed action that requires the consent of a specified percentage of first Mortgagees; and/or (v) any material changes to the Project, the Bylaws, this Declaration, the Assessments or the Percentage Interests.

14.2 Priority of Liens for Unpaid Assessments. The lien or claim against a Lot for unpaid Assessments or charges levied by the Association pursuant to this Declaration or the Act shall be subordinate to a Mortgage affecting such Lot provided that such Mortgage was recorded prior to recording of such notice of lien or claim levied by the Association, and the Mortgagee thereunder which comes into possession of or which obtains title to the Lot shall take the same free of such lien or claim for unpaid Assessments or charges, but only to the extent of Assessments or charges which accrue prior to foreclosure of the Mortgage, exercise of a power of sale available thereunder, or deed or assignment in lieu of foreclosure (except for claims for a pro rata share of such prior Assessments or charges resulting from a pro rata reallocation thereof to all Lots including the Lot in which the Mortgagee is interested). No Assessment, charge, lien or claim which is described in the preceding sentence as being subordinate to a Mortgage or as not to burden a Mortgagee which comes into possession or which obtains title shall be collected or enforced by the Association from or against a Mortgagee, a successor in title to a Mortgagee, or the Lot affected or previously affected by the Mortgage concerned.

14.3 First Mortgagee Consents. Unless at least 67% of the first Mortgagees (based upon one vote for each Mortgage) of the individual Lots subject to first Mortgages consent in writing, the Association shall not be entitled, by act, omission, or otherwise:

- (a) To abandon or terminate the Project or to abandon or terminate the community association arrangement which is established by this Declaration and the Map;
- (b) To partition or subdivide any Lot;
- (c) To abandon, partition, subdivide, encumber, sell or transfer all or any part of the Common Areas (except for the granting of easements for utilities and similar purposes consistent with the intended use of the Common Areas);
- (d) To use hazard insurance proceeds resulting from damage to any part of the Project (whether to Units or to the Common Areas) for purposes other than the repair, replacement or reconstruction of such improvements, except as provided in Article IX;
- (e) To change the interest or obligations of any Lot which apply for purposes of (i) levying Assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, and (ii) determining the pro rata share of ownership of each Lot in the Common Areas, except as such changes may occur as a result of partial condemnation or as otherwise permitted hereunder.

14.4 Miscellaneous Mortgagee Rights.

- (a) The Association shall not: (i) alter the provisions of Article IX in such a way as to diminish the insurance protection required to be afforded to the parties designated to be protected thereby; or (ii) fail to maintain the insurance coverage described in said Article.
- (b) Any first Mortgagee shall have the right, at its request and expense and upon reasonable

notice, to examine the books and records of the Association. After the commencement of sale of individual Lots, the Association shall establish an adequate reserve to cover the cost of reasonably predictable and necessary major repairs, maintenance and replacement of the Common Areas and shall cause such reserve to be funded by regular monthly or other periodic Assessments against the Lots rather than by special Assessments.

(c) From and after the time a first Mortgagee makes written request to the Association therefore, the Association shall notify such Mortgagee in writing in the event that there occurs any damage or loss to, or taking or anticipated condemnation of: (i) the Common Areas involving an amount in excess of, or reasonably estimated to be in excess of, \$50,000.00; or (ii) any Lot encumbered by the Mortgage held by such Mortgagee, if the amount involved in such damage, loss, or taking is in excess of, or reasonably estimated to be in excess of, \$10,000.00. Said notice shall be given within ten days after the Association learns of such damage, loss, taking or anticipated condemnation.

(d) No provision of this Declaration gives or may give any Owner or any other party priority over any rights of Mortgagees pursuant to their respective Mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for loss to or taking of Lots and/or the Common Areas.

(e) In the event another provision or clause of this Declaration deals with the same subject matter as is dealt with in any provision or clause of this Article, the provision or clause which results in the greatest protection and security for a Mortgagee shall control the rights, obligations or limits of authority, as the case may be, applicable to the Association with respect to the subject concerned.

(f) No amendment to this Declaration which has the effect of diminishing the rights, protection, or security afforded to first Mortgagees shall be accomplished or effected unless 51% of the first Mortgagees of the individual Lots have given their prior written approval to such amendment. A change to the provisions governing the events set forth in Section 15.1(c) would be considered material requiring the consent of first Mortgagees as provided herein. Any amendment to this Article shall be accomplished by an instrument executed by the Association and recorded in the Official Records. In any such instrument an officer of the Association shall certify that any prior written approval of first Mortgagees required by this Article as a condition to amendment has been obtained.

14.5 Implied Approval. In the event that the approval of a first Mortgagee is required pursuant to the provisions of this Article or elsewhere herein, and in the event a first Mortgagee fails to submit a response to any written proposal for an amendment within 30 days after it receives proper notice of the proposal, approval will be deemed to have been given, provided notice was delivered to such Mortgagee by certified or registered mail, "return receipt" requested.

XV. AMENDMENT

15.1 Except as provided in and/or subject to the terms of items (a) through (c) below, the vote of Owners holding at least 67% of the Percentage Interest In Madison Square PUD Phase II shall be required to amend this Declaration or the Map. Any amendment so authorized shall be accomplished through the recordation in the Official Records of an instrument executed by the Association. In such instrument an officer of the Association shall certify that the vote required by this Article for amendment has occurred. The foregoing right of amendment shall, however, be subject to the following:

(a) Any amendment to Article XIV ("Mortgagee Protection") shall be subject to the requirements for amendment contained in such Article.

(b) Until the Declarant has sold all Lots, Declarant shall have the right unilaterally to

amend and supplement this Declaration and the Map to correct any technical errors or to clarify any provision to more fully express the intent of the Declarant for development and management of the Project.

(c) Until the Declarant has sold all Lots which it intends to sell to purchasers, no amendment to the Map or to any provisions of this Declaration which has or may have the effect of diminishing or impairing any right, power, authority, privilege, protection, or control accorded to Declarant (in its capacity as Declarant) herein shall be accomplished or effective unless the instrument through which such amendment is purported to be accomplished is consented to in writing by the Declarant.

(d) A change to the following provisions shall require the vote of Owners as provided in this Section 15.1 as well as the vote of first Mortgagees in accordance with the requirements of Section I 4.4 (f) above:

(i) voting rights;

(ii) increases in Assessments that raise the previously assessed amount by more than 25% in any year, Assessment liens, or the priority of Assessment liens;

(iii) reductions in reserves for maintenance, repair, and replacement of Common Areas

(iv) responsibility for maintenance and repairs;

(v) reallocations of interests in the Common Areas or Limited Common Areas, or rights to their use;

(vi) redefinition of any Lot boundaries;

(vii) convertibility of Lots into Common Areas or vice versa;;

(viii) expansion or contraction of the Project, or the addition, annexation, or withdrawal of property to or from the Project;

(ix) hazard or fidelity insurance requirements;

(x) imposition of any restrictions on the leasing of Lots;

(xi) imposition of any restrictions on an Owner's right to sell or transfer his or her Lot;

(xii) a decision by the Association to establish self-management if professional management has been required previously by the Declaration, Bylaws or other operating documents for the Association, or by an eligible Mortgagee;

(xiii) restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Declaration;

(xiv) any provisions that expressly benefit first Mortgagees, insurers, or or guarantors.

16.1 Declarant's Rights Assignable. All of the rights of Declarant under this Declaration may be assigned or transferred either by operation of law or through a voluntary conveyance, transfer or assignment.

16.2 Covenants to Run with Land. This Declaration and all the provisions hereof shall constitute covenants to run with the land or equitable servitudes, as the case may be, and shall be binding upon and shall inure to the benefit of Declarant, all other signatories hereto, all parties who hereafter acquire any interest in a Lot or in the Project, and their respective grantees, transferees, heirs, devisees, personal representatives, successors and assigns. Each Owner or occupant of a Lot shall comply with, and all interests in all Lots shall be subject to, the terms of this Declaration and the provisions of any rules, regulations, agreements, instruments, supplements, amendments, and determinations contemplated by this Declaration. Failure to comply with any of the same shall be grounds for an action to recover sums due and for damages or injunctive relief or both, maintainable by the Association on behalf of the Owners, or, in a proper case, by an aggrieved Owner. By acquiring any interest in a Lot or in the Project, the party acquiring such interest consents to, and agrees to be bound by, each and every provision of this Declaration.

16.3 Limitation on Association's and Declarant's Liability.

The Association and Declarant shall not be liable for any failure of water service or other utility services to be obtained and paid for by the Association hereunder, or for injury or damage to any person or property caused by the elements or by another Owner or Person in or upon the Project, or resulting from electricity, water, rain, snow, or ice which may leak or flow from outside or from any part of the Building or its drains, pipes, conduits, appliances or equipment, or from any other place, unless caused by the grossly negligent or willful misconduct of the Association. No diminution or abatement of any Assessment under this Declaration shall be claimed or allowed for inconvenience or discomfort arising from the making of any repairs or improvements to or maintaining the Project or any part thereof, or from any action taken to comply with the provisions of this Declaration or with the laws, ordinances, regulations, rules or orders of any governmental authority.

16.4 Owner's Obligations Continue. All obligations of the Owner under and by virtue of the provisions contained in this Declaration shall continue, notwithstanding that he may have leased or rented a Lot, but the Owner of a Lot shall have no obligation for expenses or other obligations accruing after the date of conveyance of such Lot. In the event of the rental or lease of a Lot, an Owner shall be deemed to have granted a license to his tenants of his right to use the Common Areas for the term of the lease or the period of rental and such Owner shall have no right to use the Common Areas during the term or period of such lease or rental.

16.5 Interpretation. To the extent the provisions of the Act are consistent with this Declaration, such provisions shall supplement the terms hereof and are incorporated herein. The captions which precede the Articles and Sections of this Declaration are for convenience only and shall in no way affect the manner in which any provision hereof is construed. Whenever the context so requires, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include both other genders and the neuter. The invalidity or unenforceability of any portion of this Declaration shall not affect the validity or enforceability of the remainder hereof or the validity or enforceability of such portion under different circumstances.

16.6 Agent for Service of Process. Urban Outsourcing Inc 716 E 4500 S, Suite N140, Salt Lake City, Utah 84107, is appointed to receive service of process in cases authorized by the Act. The Association shall, however, have the right to appoint a successor or substitute process agent. Such successor or substitute agent and his address shall be specified by an appropriate instrument filed in the Official Records.

16.7 Effective Date. This Declaration, any amendment or supplement hereto, and any amendment or supplement to the Map shall take effect upon its being recorded in the Official Records.

16.8 Requests for Notice. The Association hereby requests that a copy of any notice of default and a copy of notice of sale under any Mortgage filed for record against any Lot be mailed to Madison Square Townhomes Owners Association, Inc. atC/o Urban Outsourcing Inc. 716 E 4500 S, Suite N140 Salt Lake City, Utah 84107, pursuant to U.C.A. Section 57-1-26 (1953), as amended.

XVII. ENFORCEMENT AND REMEDIES

17.1 If any Owner or occupant fails to comply with any provision hereof, including any of the rules and regulations promulgated hereunder by the Association, within ten days after written notice of violation thereof (except that, where such violation cannot reasonably be cured within ten days, the ten day period will be extended to that reasonably required, as long as the Owner/occupant commences the cure within such 10 day period and diligently pursues the same to completion) (the "Cure Period"), the Association may:

- a. suspend such Owner's voting rights in the Association during any period or periods during which such Owner or the occupants of its Lot fail to comply with such rules and regulations, or with any other obligations of such Owner under this Declaration; and Owners shall be responsible for any non-compliance hereunder of all occupants of their respective Lots;
- b. take judicial action against the Owner and/or occupant to enforce compliance with such rules, regulations or other obligations or to obtain damages for non-compliance, all to the extent permitted by law; and/or (at the Association's election)
- c. impose the following fines in connection therewith:

Original Violation:	\$50.00
First Recurrence of same violation:	\$100.00
Second Recurrence of same violation:	\$250.00
Third Recurrence of same violation:	\$500.00
Subsequent Recurrences of same violation:	\$1,000.00

The foregoing amounts may be adjusted by the Association for inflation. The failure to cure a violation within a period equal to the Cure Period after receipt of notice of the imposition of a fine shall constitute a recurrence of such violation. Any fine which is not paid within 15 days after notice thereof is issued shall bear interest from such date at the rate of 18% per annum, and there shall be added thereto reasonable attorneys' fees (whether or not legal action is commenced) and, if legal action is commenced, the costs of such action. All fines and charges (collectively, "Charges") related to a Lot, the occupants thereof or a particular Owner shall be the personal obligation of such Owner, and shall constitute Assessments under Article VIII, and shall be secured by lien as described therein.

First Recurrence of same violation:	\$100.00
Second Recurrence of same violation:	\$250.00
Third Recurrence of same violation:	\$500.00
Subsequent Recurrences of same violation:	\$1,000.00

The foregoing amounts may be adjusted by the Association for inflation. The failure to cure a violation within a period equal to the Cure Period after receipt of notice of the imposition of a fine shall constitute a recurrence of such violation. Any fine which is not paid within 15 days after notice thereof is issued shall bear interest from such date at the rate of 18% per annum, and there shall be added thereto reasonable attorneys' fees (whether or not legal action is commenced) and, if legal action is commenced, the costs of such action. All fines and charges (collectively, "Charges") related to a Lot, the occupants thereof or a particular Owner shall be the personal obligation of such Owner, and shall constitute Assessments under Article VIII, and shall be secured by lien as described therein.

EXECUTED BY DECLARANT on the date of notarization appearing below:

DECLARANT:

UPDWELL Development, LLC.

By: Guy M. Haskell

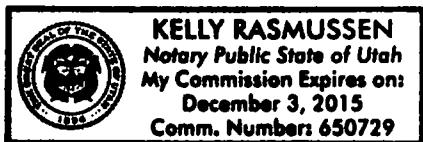
Guy M. Haskell,
The Manager of UPDWELL Administration, LLC.
The Manager of UPDWELL Development, LLC.

STATE OF UTAH)

: ss.

COUNTY OF SALT LAKE)

Guy M. Haskell On this 11 day of December, 2012, before me personally appeared Guy M. Haskell, personally known to me or proved to me on the basis of satisfactory evidence to be the persons whose names are signed on the preceding document, and acknowledged before me that they signed it voluntarily for its stated purpose.



Kelly Rasmussen
NOTARY PUBLIC

EXHIBIT "A"

MADISON SQUARE P.U.D. - PHASE 2

BEGINNING AT A POINT ON THE SOUTH LINE OF 1500 SOUTH STREET, SAID POINT BEING SOUTH 89°41'25" WEST 212.52 FEET ALONG THE QUARTER SECTION LINE, SOUTH 0°06'45" WEST 1359.60 FEET ALONG THE CENTERLINE OF 800 WEST STREET, SOUTH 89°45'45" WEST 407.08 FEET ALONG THE CENTERLINE OF 1500 SOUTH STREET AND SOUTH 0°13'25" WEST 33.00 FEET FROM THE CENTER OF SECTION 25, TOWNSHIP 2 NORTH, RANGE 1 WEST, SALT LAKE BASE AND MERIDIAN, AND RUNNING THENCE SOUTH 0°13'25" WEST 130.00 FEET, THENCE NORTH 89°45'45" EAST 83.00 FEET, THENCE SOUTH 0°45'36" WEST 139.12 FEET, THENCE ALONG THE NORTH LINE OF 1600 SOUTH STREET SOUTH 89°48'15" WEST 228.59 FEET TO A POINT OF CURVATURE TO A 15.00 FOOT RADIUS CURVE TO THE RIGHT, THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE FOR A DISTANCE OF 23.67 FEET, CHORD BEARING AND DISTANCE = NORTH 44°59'10" WEST 21.29 FEET, THENCE NORTH 0°13'25" EAST 238.93 FEET ALONG THE EAST LINE 850 WEST STREET TO A POINT OF CURVATURE TO A 15.00 - FOOT RADIUS CURVE TO THE RIGHT, THENCE NORTHEASTERLY ALONG THE ARC OF SAID CURVE FOR A DISTANCE OF 23.44 FEET, CHORD BEARING AND DISTANCE = NORTH 44°59'35" EAST 21.13 FEET, TO THE SOUTH LINE 1500 SOUTH STREET, THENCE NORTH 89°45'45" EAST 147.13 FEET TO THE POINT OF BEGINNING.